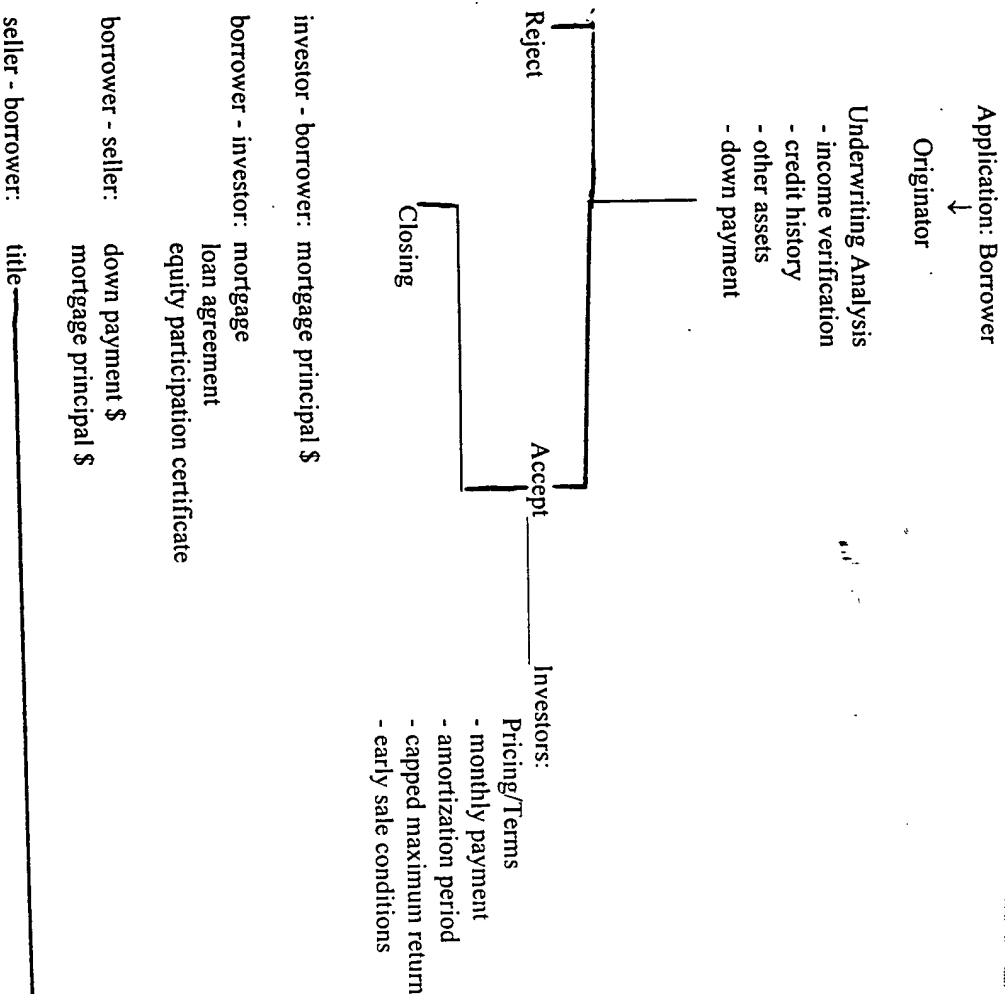


I. Origination



II. Amortization Period - months 1 through N

Payment (1) Borrower → Periodic Principal \$ - Servicer \$ - Investor
repayment

- process
- calculate avg amort. period principal
(total monthly principal outstanding
÷ # months since origination)

sale: i. determine realized appreciation
(net sale price - purchase price)
ii. calculate maximum capped annual return
(e.g., avg. amort. period index % + ___ %)
iii. multiply (ii.) by average annual principal
iv. divide proceeds
(e.g., if X = [net sales price - purchase price - (ii)
then borrower retains X)

→ final principal payment \$ → servicer \$ - investor

- process
- recalculate avg amortization
period principal

Payment (N)

III. Post Amortization Period

sale: i. determine realized appreciation
(net sale price - purchase price)
ii. calculate maximum capped annual return
(e.g., avg. amort. period index % + ___ %)
iii. multiply (ii.) by average annual principal
iv. divide proceeds
(e.g., if X = [net sales price - purchase price - (iii.)] > 0,
then borrower retains X)

FIGURE 1

FIGURE 2

Figure 3: Principal Amortization - Equity Participation Mortgage v. 30-yr Fixed Rate @ 7.28%
Original Principal Amounts with Same Monthly Payment

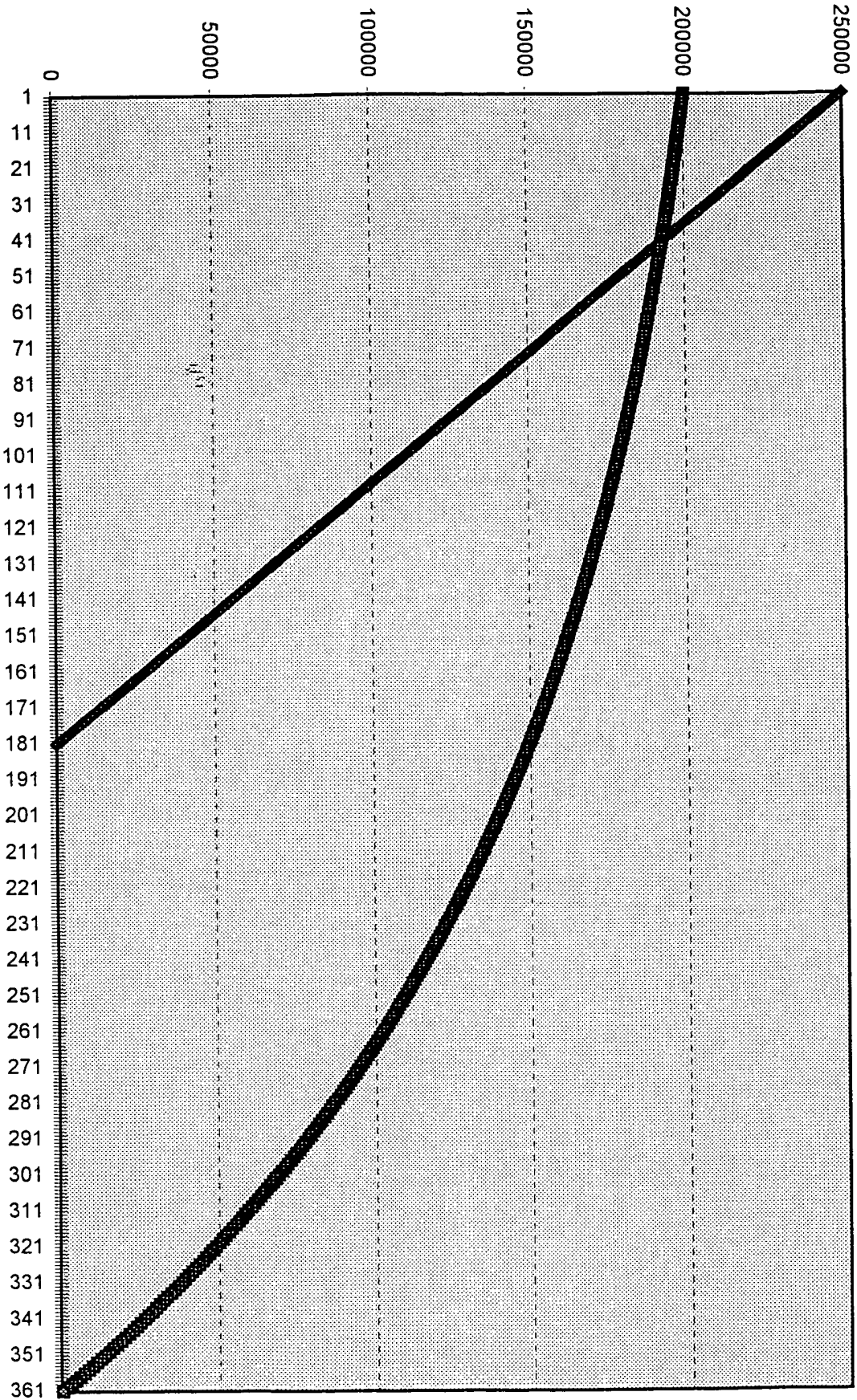


FIGURE 3

Median Sales Price of Existing Single Family Homes: 1968 - 1996

Source: National Association of Realtors, Existing Home Sales Survey

